File No. 930

19 . 34

Collection No.

Pros. Serial Nos.

Subject.

Arrangements for double Income tax relief of incomes taxed both in British India and C & M Station of Bangalore.

Previous References.

48/18

Later References.

S.N 374 3

(3) I discussed this case with Resident before he left for Coorg.

(4) We should send an interim acknowledgment to S.No.4, saying that we hope to send a reply before the 22nd December. This should be done at once.

Issued on 6-12-34

(5) Resident wants to put the case a little more strongly to Government of India, and would like to have a letter from Commissioner of Income Tax to Secretary, forwarding a copy of Assistant Commissioner's letter, with his own comments. This can then be forwarded to Government of India by Resident. I have placed two rough drafts on the file. These should be faired in proper draft form for further consideration; but before they are submitted again I should like office to examine the circumstances which gave rise to the special arrangement between Mysore and British India, and the application of this special arrangement to the Assigned Tract also, and see whether what I have said in the draft from Commissioner of Income Tax is correct.

Id/- C.G.N.E.
5/12

(6) As regards the reciprocal arrangement between Mysore and British India referred to in para 3 of the P.U.C. please see S.N.70/A 43/17. The relief given is as follows:-

> "In case of businesses whose headquarters are in British India but which have branches in Mysore or carry on business in Mysore, a deduction shall be made from the Indian Income-tax payable on the profits of such businesses, of the amount of Mysore Income-tax that would be payable on such portion of the same profits as appear to the Income-tax Officer in British India to be due to transactions in Mysore. Businesses with headquarters in Mysore which have branches or dealings in British India should be assessed by the Income-tax authorities in British India to the full amount of Indian Income-tax due on the profits in British India only."

Para 19, page 96 of Mysore Income-tax Manual

(7) In 1925 as a result of the conference held at the Residency to discuss certain outstanding income-tax questions, particularly the question of relief from double income-tax as between British India and Mysore, the note at S.N.7/a 134/25 was drawn up and the Mysore Commissioner of Income-tax agreed to an -- extension of the arrangements between Mysore & Govt. of India, for the grant of relief in cases of double income-tax, to the C.& M. Station, which, for the purpose, might be regarded as part of British India- vide para 6 of the note. In this connection please see S.N.44 & 61 of file 134/25.

'S'

-do-

H & M

(8) The datum line arrangement is still in force and we cannot agree to any reduction proposal involving loss of revenue, -- without

(papers put up in another connection)

S. N. 1

C.No.354-I.T./34.

Government of India.
FINANCE DEPARTMENT (CENTRAL REVENUES).

Simla, the 30th August 1934.

OFFICE OF THE RESIDENT IN MYSORE.
BANGALORE.
10 SEP 1934
8377
Regd. No.
File. No. 930/34 From
Indexed

Khan Bahadur J. B. Vachha, C.I.E.,

Joint Secretary to the Government of India,

To

The Hon'ble the Resident in Mysore.

Sir,

Double Income-tax Relief - Incomes taxed both in British India and Bangalore - Arrangements for -.

Collin (2)
S.N. 1/6
F. 48-18

SN. 1
F. 48/18
Collin (2)

I am directed to invite a reference to the Government of India, Finance Department letter No. 284-F., dated the 4th February 1918, a copy of which was forwarded to you with the Foreign and Political Department endorsement No. 413-I.B., dated the 8th February 1918, in which it was stated that the Government of India were of opinion that a firm with branches in British India and in the Assigned Tract of Bangalore should be assessed to income-tax and super-tax on the incomes derived by it in those areas but that in order to avoid the payment of double income-tax or super-tax, such firms should be allowed a refund from the assessment made at their headquarters in British India or in Bangalore of the amount equivalent to the amount separately levied and paid on the profits of the branch or branches, the refund being at the expense of the revenue to which the headquarters' assessment was credited. These orders, however, leave open the question as to who should decide whether the headquarters of a firm or company etc., are in British India or at Bangalore

when -

when the Income-tax authorities at these places differ. They also do not provide for cases where an individual pays tax in British India through a firm and is taxed in Bangalore on what he receives as his share from the firm as an individual. The Madras and Southern India Chamber of Commerce has brought this state of affairs to the notice of Government and partners of two firms at Madras assessed individually at Bangalore have put in complaints that no relief is at present being allowed to them either at Madras or Bangalore. I am directed to enquire therefore whether banking Insurance Companies operating at Bangalore which are to be dealt with as per the arrangement arrived at under Foreign and Political Department letter No. 693/429-Int.,[x] dated the 20th March 1922 it will not be better to lay down in this case also the double income-tax relief arrangement described in paragraph 95 of the Income-tax Manual (5th Edition. pages 251-253) which is in force between British India and the majority of Indian States. I am directed to request you to ascertain the views of the Income-tax authorities at Bangalore on these questions and to communicate them to the Government of India at an early date.

x S.N. 5
F. 48/18
Coll. (2)

I have the honour to be,

Sir,

Your most obedient servant,

5. 9. 37

Joint Secretary to the Government of India.

K.C.S.
A/G.

S. N. 3

14

No. I.T. 71.70

Office of the
Assistant Commissioner of Income-tax,
Civil and Military Station, Bangalore,

Dated the 29th October, 1934

FROM

L.J. MacIver, Esq., I.C.S.,
ASST. COMMR. OF INCOME-TAX,

CIVIL AND MILITARY STATION,

Bangalore.

OFFICE OF THE RESIDENT IN MYSORE.
BANGALORE.
31 OCT 1934
Regd. No. 10,029
File. No. 930/34

Index - Nil

To

The Secretary to the Hon'ble the Resident
in Mysore and Commissioner of Income-tax,
Civil and Military Station, Bangalore.

Subject.— Double income-tax relief - Incomes taxed both in British India and Bangalore - Arrangements for - .

SIR,

S. N. 2
Cor: page 3
(A)

I have the honour to reply to your endorsement No.F.930-34/R.O.I., dated the 19th October, 1934, calling for my remarks on letter C.No.354-I.T./34, dated the 30th August, 1934, from the Government of India, Finance Department (Central Revenues), on the above subject.

2. The Government of India point out two defects in the proceaure now in force in Bangalore to remeay which they enquire whether it will not be better to introduce the double income-tax relief arrangement described in paragraph 95 of the Income-tax Manual (V Edition - pages 251 to 253) which is in operation between British India and the majority of Indian States. One of these defects is stated to be that the question as to who should decide whether the headquarters of a firm or a company etc., are in British India or at Bangalore, when the Income-tax authorities at these places differ, is left open. In actual practice, however, this difficulty has never arisen, as practically all the concerns that pay tax

in

15

in Bangalore are either limited companies or well known firms who have their headquarters in British India and about whose headquarters there can be no doubt - vide list "A" appended. I attach also a list 'B' of the very few firms and businesses that have their headquarters in Bangalore. Even in these cases, there has been no disagreement as regards their headquarters between the Income-tax authorities of Bangalore and British India. It seems to me therefore that this defect is not so serious as to call for a change in the existing procedure. But, if the Government of India wish to provide for any possible difficulty, we may agree to have an order passed on the analogy of Section 64 of the Act, laying down that in case of disagreement between the Income-tax Officers concerned, the question should be settled between the Commissioners concerned, and in the final resort, if it becomes necessary, by a reference to the Central Board of Revenue. This, however, is, as I have already point out, a very remote contingency.

3. On the other hand, the effect of the introduction of the proposed change will be to deprive the Mysore Assigned Tract of more than 1½ lakhs of income-tax revenue (the actual figure on the basis of assessments made in 1933-34 would be Rs.1,65,087 - vide statement "A") - the reason being that most of the firms and companies doing large business in the Station have their headquarters in British India, and therefore, in all these cases, Mysore Assigned Tract will have to refund half the tax recovered, whereas, under existing orders, the refund is met by British India where the headquarters are situated. Moreover, Mysore is not one of the Indian States that has agreed to the arrangement described in para 95 of the Income-tax Manual. Between Mysore and British India, a special agreement is in force - vide paragraph 19, page 96, of the Mysore Income-tax Manual. When the headquarters are in British India, the assessment is made on the

17

of a large amount of revenue to the Mysore Assigned Tract.

I have the honour to be,
Sir,
Your most obedient servant,

ASSISTANT COMMISSIONER.

MVS.
27/10.

LIST "A".

Statement showing names of business concerns with headquarters in British India and branches in Civil and Military Station, Bangalore, and the tax etc. paid by them for the assessment year 1933-34.

Sl. No.	Demand No.	File No.	Name of the Business Concern.	Total income Rs.	Income-tax paid. Rs.	Supertax paid. Rs.	Total tax paid. Rs.	Half the tax paid. Rs.
1.	244	1875	Metro-Goldwyn Mayer (India) Ltd.	2,906	492	..	492	246
2.	198	3423	Whiteaway Laidlaw & Co., Ltd.	3,000	508	..	508	254
3.	249	2877	Spencer and Company, Limited.	7,016	1,287	..	1,287	644
4.	290	468	Messrs. Bansilal Ramrathandass	37,262	6,307	..	6,307	3,153
5.	316	3231	Tobacco Manufacturers (India) Ltd.	11,80,508	1,99,741	88,321	2,88,062	1,44,031
6.	348	11	Addison and Company, Ltd.	1,604	271	..	271	135
7.	349	3308	United Breweries, Limited	11,164	1,890	..	1,890	945
8.	360	3309	Uberoi, Limited	4,272	726	..	726	363
9.	417	1475	Kuckreja and Co., Limited	2,954	500	..	500	250
10.	418	1106	Goodyear Tyre & Rubber Co., Ltd.	6,549	1,109	..	1,109	555
11.	433	2520	Parry and Company, Limited	5,875	995	..	995	498
12.	435	1221	Associated Publishers (Madras) Ltd.	150	25	..	25	12
13.	438	2618	Quilon Bank, Limited	74	12	..	12	6
14.	465	505	Burmah-Shell Oil Storage & Distributing Co. of India, Ltd.	21,365	3,616	..	3,616	1,808
15.	479	1356	Imperial Bank of India, Ltd.	73,335	11,290	1,822	13,122	6,556
16.	497	1100	Globe Theatres, (Limited).	42,000	7,110	..	7,110	3,555
17.	605	778	Dunlop Rubber Co., India, Limited.	20,451	3,461	..	3,461	1,730
18.	698	3424	Western Electric Co., Limited	1,996	338	..	338	169
19.	289	1233	Messrs. M.N. Hussain & Co.	6,035	354	..	354	177
								1,65,087

S. N. 4

10

DEPARTMENT.

BRANCH.

File No.

Serial No.

Draft Letter / Memorandum / Telegram

Issued
Class for telegrams

Ordinary / Express / Urgent* / Priority / Clear Line†

*Only for Foreign Telegrams.

†Not for Foreign Telegrams.

No. 930-34 Dated 27/12/34. 19

From

The Commissioner of Income Tax,
C.& M. Station, Bangalore.

To

The Secretary to the Resident
in Mysore, Bangalore

To be issued on | Issued on

1st Reminder

2nd Reminder

3rd Reminder

Heading :

Case or Diary No.

If post copy of telegram required

Date of despatch of above

List of enclosures

(Code word for telegrams.)

Double Income Tax Relief - Incomes taxed both in British India and in Bangalore.

...

Sir,

I have the honour to refer to

S.N. 1 'A'

letter from the Government of India

Finance Department (Central Revenues)

C.No.354-I.T./34, dated the 30th

August 1934, and to forward a copy of

letter from the Assistant Commissioner

of Income Tax, Civil and Military

S.N.3
Cor. pages 4-7

Station, Bangalore, No.I.T.G1.70,

dated the 29th October 1934, with

enclosures.

I concur in the views expressed

by

S. 5.
MGIPC—S1—267 (CPS) DCF—(M 260)—27-4 32—60,000 Pads.

S.N.5

12

File No.

DEPARTMENT.

BRANCH.

Serial No.

Issue Ph 27/11/34

Class for telegrams

Draft

Letter / Memorandum / Telegram

Ordinary / Express / Urgent* / Priority. / Clear Line†

*Only for Foreign Telegrams.

†Not for Foreign Telegrams.

No. F 930-34 Dated 27th Dec. 1934.

From Ro.I

The Hon'ble the Resident.

To

The Secy. to the Government of India, Finance Department (Central Revenues)

Double Income Tax Relief - Incomes taxed both in British India and in Bangalore.

To be issued on	Issued on
1st Reminder	
2nd Reminder	
3rd Reminder	

Heading :

Case or Diary No.

If post copy of telegram required

Date of despatch of above

List of enclosures

(Code word fo telegrams.)

S.N.1 'A'

(Draft I)

Sir,

I have the honour to refer to Khan Bahadur Vachha's letter C.No. 354-I.T./34, dated the 30th August 1934, and to forward a copy of letter from the Commissioner of Income Tax, Civil and Military Station, Bangalore, No. 930-34 Ro.I. dated 27th December, with enclosures.

I concur in the views expressed by the local Income-tax authorities; and I do not consider that it would be possible in existing circumstances to apply to the Mysore Assigned Tract the

S. S.

GIPC—81—207 (CPS) DCF—(M-260)—27-4-32—60,000 Pads.

S. N. 6

19

C. No. 354-I.T./34.

Government of India.

Finance Department (Central Revenues).

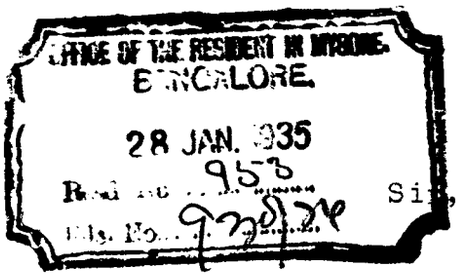
New Delhi, the 21st January, 1935.

From

A.H. Lloyd, Esquire, C.S.I., C.I.E., I.C.S.,

Joint Secretary to the Government of India.

To



The Hon'ble the Resident in Mysore,

Bangalore.

Sir,

Double Income-tax Relief- Incomes taxed both in British India and Bangalore- Arrangements for-. Your letter No.F.930/1934/R.C.I., dated the 27th December, 1934.

S. N. 5
Corr: pages 12-13 (A)

With reference to the correspondence ending with your letter quoted above, I am directed to state that the Government of India agree with you that there is at present no necessity to make any provision in the double income-tax relief arrangements between British India and Bangalore for determining in cases of dispute what is the headquarters of a firm or company. They also do not propose to press at this stage for a change in the general arrangements at present in force, but I am to point out that there is a lacuna in the present arrangements, as explained below, which in the opinion of the Government of India, should be filled in.

2. The general case of "business" income doubly taxed is dealt with as between British India and Bangalore on the basis that the tax is credited to Bangalore if the profits are earned there and only become liable to Indian tax because the headquarters of the concern is in British India, and vice versa. This provision is based on the Mysore arrangements for the relief of incomes taxed both in British India and Mysore. In finding a solution for the special case discussed, namely, of an individual who pays tax in British India

S. N. 70/A
43/17

120

through a firm and is taxed in Bangalore on what he receives as his share from the firm as "individual", the Mysore arrangement should serve as a guide. According to the Mysore arrangements the Government within whose jurisdiction tax is charged on the profits out of which the dividend is paid retains the tax on the part of those profits represented by the dividends and allows such refund on the dividends as may be due under the provisions of its income-tax law, while the Government in whose jurisdiction the dividend is received includes it in the "total income" of the assessee concerned for purposes of fixing the rate of, and the liability to tax, but waives its claim to levy tax in respect of the dividend. There is a lacuna in the Mysore arrangements also in respect of firms and partners, but there is no doubt that if a case were to arise the same arrangement would have to be made as now exists in respect of companies and dividends. I am accordingly directed to enquire whether you see any objection to the Mysore arrangements being extended to the case of Bangalore. If not, necessary instructions will be issued on receipt of your reply.

I have the honour to be,

Sir,
Your most obedient servant,

Joint Secretary to the Government of India.

23.1.35

N.P.G.
22.1.35.

S.N.7

THE OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE,

Bangalore, the 22/2/ 1935.

21

No. 930/34
R.O.L

Issued
No 22.2.35

A copy of the undermentioned paper(s) is forwarded to the Assistant Commissioner of Income-tax, C.& M. Station, Bangalore, for favour of remarks with reference to his letter No. I.T.Gl.70, dated the 29th October 1934.

S.N. 3
Cor. pages
4-7 'A'

for information, ~~in continuation of~~ / ~~with reference to~~ the correspondence ending with ~~(his)~~

~~Memorandum~~ / ~~letter~~ / ~~endorsement~~ from

~~No~~ , ~~dated the~~

By order, etc.,

18/2

~~Secretary~~ / ~~Asst. Secy~~ to the Resident in Mysore. & Commr. of Income-tax.

List of papers.

S.N. 5 / S.N. 4 — Letter No. F.930/34/R.O.I. dated the 27th Decr. 1934, to the Secy. to the Govt. of India, Finance Dept (Central Revenues) with letter to the Secy. to the Resident No. 930/34/R.O.I. dated the 27th Decr. 1934.

S.N. 6 (P.J.C.) — Letter from the Joint Secy. to the Govt. of India, Finance Dept (Central Revenues) C.No.354-I.T./34, dated the 21st January 1935.

9-2-35

11.2.35

No.
I.T.Gl.70 S.N. 8

OFFICE OF THE ASSISTANT COMMISSIONER OF INCOME-TAX, C. & M. STATION,

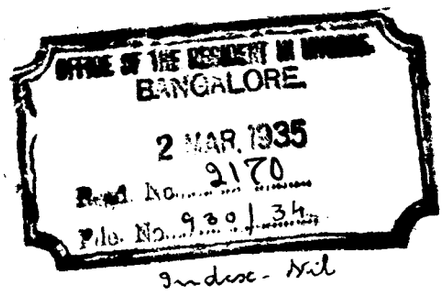
Bangalore, the 28th February *193* 5.

FROM

L. J. MacIver, Esq., I.C.S.,

ASSISTANT COMMISSIONER OF INCOME-TAX,
CIVIL AND MILITARY STATION,
BANGALORE.

To



The Secretary to the Hon'ble the Resident
in Mysore and Commissioner of Income-tax,
Civil & Military Station,
BANGALORE

Subject :—

Double Income-tax relief - Incomes taxed both in British India and Civil and Military Station, Bangalore.

SIR,

With reference to your endorsement No.F.930-34/ R.O.I., dated the 22nd February, 1935, I have the honour to state that there is no objection to the procedure proposed by the Government of India, Financ Department (Central Revenues) in their letter No.C. 354-I.T.-34, dated the 21st January, 1935, being - applied to the Civil and Military Station.

In fact I suggested this in paragraph 4 of my letter No. I.T.Gl.70, dated the 29th October, 1934, viz., that the income received in the Civil & Military Station by an individual be taken only for purposes of total income and not ~~for~~ taxable income. In actual - practice, this is the procedure adopted in the few cases that are on the file of the Income-tax Officer of this Station and the issue of the proposed orders will regularise the existing practice.

I have the honour to be,
Sir,
Your most obedient servant,

ASSISTANT COMMISSIONER.

MVS

S. N. 9

Issued 23.3.35

No.F.930-34
R.O.I.

From

The Hon'ble Lieut.-Colonel C.T.C. Plowden, C.I.E.,

RESIDENT IN MYSORE.

To

The Secretary to the Government of India,

Finance Department (Central Revenues).

Dated Bangalore, the 23rd March 1935.

Double Income-tax relief - Incomes taxed both in British India and in Civil and Military Station, Bangalore.

.....

Sir,

I have the honour to refer to Mr. Lloyd's letter C.No.354-I.T./34, dated the 21st January 1935, and to say that there is no objection to the procedure proposed by the Government of India in that letter being applied to the Civil and Military Station of Bangalore.

S.N.6
Cor.p.19-20

2. The Assistant Commissioner of Income-tax, Civil and Military Station, Bangalore, in fact suggested in paragraph 4 of his letter No.I.T.Gl.70, dated the 29th October 1934, a copy of which was forwarded with my letter No.F.930-34/R.O.I., dated the 27th December 1934, that the income received in the Civil and Military Station by an individual from a partnership concern in British India be taken into account only for purposes of total income and not for taxable income. In actual practice, this is the procedure adopted in the few cases that are on the file of the Income-tax Officer of this Station; and the issue of the proposed orders will regularise the existing practice.

S.N.3
Cor.P 4-7-

S.N.5
Cor.p.12-13

I have the honour to be,
Sir,
Your most obedient servant,

Vone 22/3. o/c.

for R E S I D E N T.

PKH